Town of Arlington
Section 3A Economic Feasibility Analysis

Analysis by the Metropolitan Area Planning Council

February 13, 2024

INTRODUCTION

In 2021, Massachusetts adopted MGL Chapter 40A Section 3A, which requires that MBTA Communities have at least one zoning district where multifamily housing can be built by-right. In its Section 3A Compliance Guidelines, the Executive Office of Housing and Livable Communities (EOHLC) stipulates that local inclusionary zoning policies, which require that a percentage of units in new housing be affordable, may conflict with the Section 3A by-right requirement if the inclusionary policy makes new development economically infeasible. For the purposes of determining compliance with Section 3A, EOHLC considers an inclusionary policy to be consistent with by-right zoning if the policy requires that no more than 10% of new units be affordable to households earning at least 80% of area median income (AMI).

To advance housing goals and address local need, many municipalities in Greater Boston have inclusionary policies that go beyond this threshold. In such cases, the Section 3A Compliance Guidelines specify that EOHLC may, at its discretion, allow for affordability greater than 10% of units or deeper than 80% AMI if the inclusionary policy is supported by an Economic Feasibility Analysis (EFA).

Arlington's current inclusionary policy requires that 15% of new units be affordable to households earning 60% AMI (rental projects) or 70% AMI (ownership projects), a level of affordability that aligns with local housing goals but goes beyond the threshold set by EOHLC in its Compliance Guidelines. As such, to apply its inclusionary policy to new development projects in its Section 3A district, the Town must conduct an EFA to confirm that the inclusionary zoning is feasible. This analysis was undertaken according to EOHLC's EFA Guidelines and is intended to satisfy the requirement for an EFA and demonstrate the feasibility of Arlington's inclusionary zoning policy in its 3A district.

SUMMARY

In short, this analysis finds that **Arlington's current inclusionary policy is economically feasible** and is not anticipated to pose a risk of deterring development in its Section 3A district.

Scenario	Units	Construction type	IRR	Return on Cost	Inclusionary policy feasible under 3A zoning
Scenario 1	6	Wood frame	15.0%	5.6%	**YES**
Scenario 2	12	Wood frame	15.8%	5.7%	**YES**
Scenario 3	16	Podium	15.2%	5.6%	**YES**
Scenario 4	36	Podium	15.5%	5.7%	**YES**
Scenario 5	60	Podium	15.5%	5.7%	**YES**

An explanation of the above development scenarios, details regarding model assumptions and inputs, and a discussion of the analysis results are included in the following sections.

LOCAL CONTEXT

CURRENT INCLUSIONARY POLICY

Arlington's inclusionary policy was adopted in 2019 and is codified in Section 8.2 of the Town's zoning bylaw.

In general, the components of Arlington's inclusionary policy are on the progressive end of what is typical in Massachusetts but still fall within state norms. Most Massachusetts inclusionary policies require 10-15% affordable units; Arlington requires 15%. Most municipalities in the state set their policy threshold between 6-10 units; Arlington's threshold is 6 units. Arlington requires rental units affordable to households earning 60% AMI, which is deeper than the more common 80% AMI target, though policies requiring 60% AMI are becoming more common, particularly in municipalities like Arlington with strong housing markets and robust affordable housing goals.

Arlington's ownership requirement of affordability for households earning 70% AMI is consistent with policy trends across the state.[1] This is an important distinction; supporting homeownership for lower-income households (less than 60% AMI) can be difficult both because of the impact on overall project feasibility and because of the more limited pool of eligible households with access to a down payment and mortgage financing.

Policy Component		**Notes**
Threshold	6 new residential units	Project size at which policy applies
Affordable units	15% of total units	A fractional unit of 0.5 or more is considered a whole unit.
Affordability level	60% AMI for rental units 70% AMI for ownership units	See Appendix I for affordability calculations.
Alternative methods	In-lieu fee with approval of the Arlington Redevelopment Board	Because the in-lieu fee option is not by-right, it is not considered in this analysis.
Cost offsets/incentives	Number of required off-street parking spaces reduced by 10%	The parking reduction is available by-right and is thus incorporated into the assumptions of this analysis.
Administration process	Environmental Design Review by the Arlington Redevelopment Board	Development in Arlington's Section 3A district will be subject to site plan review by the Arlington Redevelopment Board using the Town's Environmental Design Review standards. Site plan review is consistent with the by-right requirement of Section 3A.

[1] The most common target income level in Massachusetts inclusionary policies is 80% AMI. However, nearly all Massachusetts inclusionary policies require that affordable units be eligible for the state Subsidized Housing Inventory (SHI). SHI eligibility is governed by the Chapter 40B Guidelines, which stipulate that the sales price of an 80% AMI unit must be set based on what is affordable to a household earning 70% AMIs a "window of opportunity" that enables more households to qualify for a LIP unit.

3A ZONING DISTRICT

In October 2023, Arlington Town Meeting adopted a new overlay zoning to satisfy the requirements of Section 3A. The new MBTA Communities Overlay District permits by-right multifamily development in two subdistricts: the higher-density Massachusetts Avenue/Broadway Multi-Family (MBMF) Overlay District, which runs along the Town's transit corridors, and the lower-density Neighborhood Multi-Family (NMF) Overlay District. The dimensional requirements allow a building height of four stories in the MBMF and three stories in the NMF. In both subdistricts, there is not minimum lot size, lot frontage, lot area per dwelling unit, or lot coverage, and no maximum floor area ratio or lot coverage. The bylaw requires one off-street parking space per unit.

The new zoning utilizes height bonuses to incentivize various Town priorities including ground floor commercial use, additional affordable units beyond those required by its inclusionary bylaw, and sustainable design. While these options are available by right, they are not required and thus are not considered in this analysis.

RECENT DEVELOPMENT

In the past six years, Arlington has permitted five new multifamily projects subject to its inclusionary policy, ranging in size from 9 to 30 units. All five projects satisfied their inclusionary requirements by providing the required affordable units on site. Collectively these projects generated a total of 12 new affordable units.

Project	Total units	Tenure	Affordable units	Year Permitted
483 Summer Street	9	Rental	1	2017
882 Mass Ave	21	Rental	3	2020
455-457 Mass Ave	13	Rental	2	2021
80 Broadway	9	Rental	1	2022
190 & 192-200 Mass Ave	30	Rental	5	2023

Although this is a relatively small number of new development projects, it is significant that every permitted project is small in size and provides affordable units on site. While previous trends alone do not guarantee future project feasibility, they demonstrate that the Town's inclusionary policy has been viable in recent development projects, including small projects, which typically face greater challenges in complying with inclusionary requirements than larger projects. The dimensional requirements in the newly adopted 3A overlay district are less restrictive than the underlying zoning, and multifamily development in the new district is permitted by right rather than via special permit, which according to developer interviews is a notoriously arduous process in Arlington. Thus multifamily development in Arlington's 3A district will almost certainly be simpler and less risky than previously, so if projects were previously feasible under the current inclusionary policy, these recent permitting trends support the conclusion that development under Arlington's current inclusionary policy will be feasible in the new 3A district.

In addition to the above, Arlington has seen several projects developed through the Comprehensive Permit process, which enables projects that provide a certain percentage of affordable units to bypass local zoning regulations.

Project	Total units	Tenure	Affordable units	Year Permitted
1021-1025 Mass Ave	50	Ownership	13	2023
1165R Mass Ave	130	Rental	33	2021
Thorndike Place	124	Rental	31	2021

Each of the above projects provided 25% on-site affordable units at 80% AMI. These projects cannot be directly compared to those built under Arlington's inclusionary bylaw because the Comprehensive Permit process differs significantly from the local Special Permit process in terms of the time required to secure approvals and the scale and type of building permitted, both of which impact project returns. All the same, one quarter affordable units is a significant lift for any development project and is indicative of a strong housing market in which market-rate rents are high enough to cross-subsidize a substantial share of affordable units.

Pro Forma Analysis

MAPC's analysis utilizes a development pro forma, a tool that is typically used by a developer to understand whether a real estate project is likely to be profitable. A pro forma takes into account dozens of project-specific real estate development variables to arrive at a projected level of financial return. As each of these variables change—for example, as construction costs decrease or interest rates increase—profitability goes up or down. If the anticipated profitability falls too low, the project will be considered too risky or too unprofitable to pursue.

For policy makers, a pro forma model is a useful tool to understand how a particular policy might impact the local housing market. By undertaking a feasibility study when considering adoption or application of inclusionary zoning, a municipality is better equipped to design a policy that both meets affordability goals and minimizes the risk of dampening development. For this EFA, the intent is not to test a variety of policy options, but rather to document the viability of a policy that has already been adopted. Therefore, rather than compare the impacts of a range of different inclusionary policy requirements, this analysis will test a single inclusionary policy across several hypothetical projects likely to be developed in Arlington's 3A district to evaluate whether the policy risks impeding the production of multifamily housing.

MAPC's pro forma financial model incorporates a wide range of variables, which are reviewed in detail in the following sections. These inputs form the backbone of any feasibility analysis and must be carefully researched and calibrated to reflect Arlington's local development conditions to ensure an accurate analysis. This analysis derives its inputs from several sources. First, it relies on quantitative market data from industry sources, which include CoStar, Warren Group, Zillow, RS Means, and MAPC's rental listings database. These provide a picture of Arlington's overall housing market, including properties of all ages, sizes, and conditions. To supplement this data, MAPC staff conducted a survey of recently developed market properties that are likely more representative of future new development. Finally, MAPC conducted interviews with real estate professionals active locally and in the region, including market-rate developers, affordable housing developers, property managers, and lenders.

This analysis was grounded in the EFA guidelines provided by EOHLC and is intended to satisfy the requirement to demonstrate feasibility of an inclusionary zoning policy in a 3A district.

MODEL COMPONENTS AND INPUTS

The pro forma financial model can be divided into six broad components, each of which interact with each other and can impact profitability positively or negatively:

- The type of development likely to occur ("development scenarios")
- Characteristics of new development project ("development program")
- How much it costs to build the new development project
- Once the project is occupied, how much revenue it generates and how much it costs to keep running ("operating")
- Financing terms
- Whether the development project is financially feasible ("profitability metrics")

DEVELOPMENT SCENARIOS

This analysis considers five hypothetical development projects. These were defined based on recent permitted projects, dimensional parameters of the newly adopted MBTA Communities Overlay District, common lot sizes and configurations in the district, and discussions with local planning staff. These scenarios are representative of the range of projects that may be developed in Arlington's 3A district with a particular focus on smaller projects at policy and construction thresholds, which are typically more challenging to develop.

Scenario	Project size	Construction	Parking	Notes
Scenario 1	6 units	Wood frame	Surface	Six units is the smallest project size subject to Arlington's inclusionary policy.
Scenario 2	12 units	Wood frame	Surface	Representative of an infill project on a small lot along Mass Ave or Broadway. This scenario, along with Scenario 1, tests the feasibility of a small infill project.
Scenario 3	16 units	Podium	Mix of surface/ podium	This scenario tests the feasibility of a small project where podium construction is warranted. The construction type is more expensive and is uncommon for projects of this size, but is considered here because of the high number of smaller, shallow parcels along Mass Ave and Broadway where some podium parking may be most efficient in terms of site layout.
Scenario 4	36 units	Podium	Mix of surface/ podium	Representative of development on a small- to mid-size parcel in the 3A district, tests the feasibility of all-

				podium parking.
Scenario 5	60 units	Podium	Podium	Representative of a larger mid-size parcel in the 3A district.

While projects larger than those represented here will likely be built on the largest parcels in the 3A district, this analysis assumes that if the inclusionary policy is viable for a 60-unit project it will also be viable for larger projects, which are typically more cost effective due to of economies of scale.

DEVELOPMENT PROGRAM

The development program defines the physical components of the new building. Some of these are grounded in local markets: for example, parking ratios and unit sizes vary widely from municipality to municipality depending on proximity to transit, neighborhood walkability, land costs, and zoning. Other inputs, such as the amount of space devoted to common areas, are generally consistent with regional industry standards.

Input	Value	Source(s)
Unit mix	10% Studios 40% One-bedrooms 45% Two-bedrooms 5% Three-bedrooms	CoStar, developer interviews, review of recent development projects
Common area	15% of residential area	Developer interviews, industry standard
Unit size	Studios: 500 sqft. One-bedrooms: 750 sqft. Two-bedrooms: 1050 sqft. Three-bedrooms: 1320 sqft	CoStar, developer interviews, review of recent properties on market, recent Comprehensive Permit applications
Parking ratio	1.0 space per unit	Zoning bylaw, recent development projects
Note: Although the zoning bylaw allows for a reduced parking ratio of 0.9 spaces per unit in projects that meet inclusionary zoning requirements, recent permitting data indicates that developers are still choosing to build 1.0 parking space per unit.		
Parking type	Varies based on development scenario	Recent development projects

DEVELOPMENT COSTS

This set of inputs reflects how much it costs to build housing in Arlington. In addition to the cost of the materials and labor needed to construct the building itself and its associated parking, development costs include the cost of purchasing land (acquisition cost) and the costs associated with the non-physical aspects of developing a building (soft costs) such as architecture and engineering fees, financing and loan closing costs, and legal fees.

Input	Value	Source(s)
Acquisition	$45,000 - $70,000 per unit*	Assessor data, recent Comprehensive Permit applications
Construction	Wood frame: $300 per sqft.	RS Means, developer interviews, recent

	Podium: $320 per sqft	Comprehensive Permit applications
Parking	Surface: $15,000 per space Podium: $35,000 per space	RS Means, developer interviews, recent Comprehensive Permit applications
Soft Costs	20-22% of hard costs*	Developer interviews, recent Comprehensive Permit applications, industry standard
Total Dev. Cost	$450,000 per unit	Developer interviews, recent Comprehensive Permit applications,
While total development cost is not itself an input into the financial model, it is an important way to confirm consistency of inputs.		

*Some development costs are substantially lower for larger projects due to economies of scale. For example, a small parcel of land costs much more per acre than a large one; the cost of soils tests and legal documentation does not necessarily increase in proportion with project size and thus can be spread among more units. To reflect the economies of scale inherent in large projects, the analysis assumes acquisition costs and soft costs decrease (within a defined range) as project size increases.

Operating

Operating inputs are comprised of two main components. The first is operating revenue, which consists primarily of income from rents but may also include parking or laundry fees. Rental income comes from both market rate units and affordable units. The second is operating expenses, which cover the costs of keeping a building running such as snow plowing, marketing and leasing, and building maintenance.

Input	Value	Source(s)
Vacancy	5%	CoStar, Developer and lender interviews
Parking Income	$100 per space monthly	Developer interviews, recent Comprehensive Permit applications
Rental income – Market rate units	Studios: $2,650/mo. One-bedrooms: $3,050/mo. Two-bedrooms: $3,650/mo. Three-bedrooms: $4,550/mo.	Zillow, CoStar, MAPC Rental Listings Database, developer interviews, review of recent properties on market
Note: See appendix for detailed documentation of market rents.		
Rental income – Affordable units at 60% AMI	Studios: $1,559/mo. One-bedrooms: $1,782/mo. Two-bedrooms: $2,004/mo. Three-bedrooms: $2,226/mo.	U.S. Department of Housing and Urban Development
Note: See appendix for detailed documentation of affordable rents.		
Operating Expenses	$9,750-$10,250 per unit per year*	Developer interviews, recent Comprehensive Permit applications
This equates to roughly 35-40% of net operating income and 26-30% of total annual project income.		

*Similar to acquisition and soft costs as discussed above, operating costs are notably lower per unit in large buildings. For example, a larger project can sustain a full-time on-site maintenance manager, while a smaller project would need to pursue a less efficient arrangement and employ a part-time off-site manager that travels between several buildings.

For-sale development differs from rental development in that, rather than receiving ongoing revenue from rents, the developer receives one-time revenue at the time each condominium unit is sold.

Input	Value	Source(s)
Carrying period	12-20 months	Lender and developer interviews
Construction interest rate	7.0%	Lender and developer interviews
Market sales prices	Studios: $420,000 One-bedrooms: $570,000 Two-bedrooms: $725,000 Three-bedrooms: $890,000	Zillow, CoStar, developer interviews, review of recent properties on market
Note: See appendix for detailed documentation of market sales prices.		
Affordable sales prices (70% AMI)	Studios: $193,000 One-bedrooms: $222,000 Two-bedrooms: $250,000 Three-bedrooms: $279,000	U.S. Department of Housing and Urban Development, Executive Office of Housing and Livable Communities
Note: See appendix for detailed documentation of affordable sales prices.		

FINANCING

For the most part, financing terms are set not by the developer, but by the mortgage lender and a project's equity investors.

Input	Value	Source(s)
Perm. Interest Rate	6.5%	Developer and lender interviews
Term	30 years	Developer and lender interviews
Debt Service Coverage Ratio (DSCR)	1.2	Developer and lender interviews
Loan to Value Ratio (LTV)	65%	Developer and lender interviews
Cap Rate	5.0%	CoStar, assessor data
Debt Equity Ratio	65/35	Developer interviews

PROFITABILITY METRICS

Developers typically use several profitability metrics when considering whether to pursue a project and may rely more heavily on one or another depending on market conditions. To assess feasibility, this analysis relies on two different metrics that developers and lenders commonly use to determine anticipated profitability of a potential development project. The first, internal rate of return (IRR), considers project returns over an extended period of time. The second, return on cost (ROC), measures a point-in-time return at project completion.

While the metrics used here have been verified by local developers, it is important to note that a minimum IRR or ROC required to advance a project varies depending on the local housing market, the developer's requirements, those of their lenders and equity investors, and project-specific conditions.

Input	Value	Sources/Notes
Internal Rate of Return (IRR)	15%	Developer interviews
Return on Cost (ROC)	5.5%	Developer interviews

ANALYSIS

In short, this analysis finds that **Arlington's current inclusionary policy is economically feasible** and is not anticipated to pose a risk of deterring development in its Section 3A district.

Scenario	Units	Construction type	IRR	Return on Cost	Inclusionary policy feasible under 3A zoning
Scenario 1	6	Wood frame	15.0%	5.6%	**YES**
Scenario 2	12	Wood frame	15.8%	5.7%	**YES**
Scenario 3	16	Podium	15.2%	5.6%	**YES**
Scenario 4	36	Podium	15.5%	5.7%	**YES**
Scenario 5	60	Podium	15.5%	5.7%	**YES**

In each of the five scenarios considered, the IRR was above the 15% threshold, and the ROC was above the 5.5% threshold. Homeownership projects were similarly viable under the current inclusionary policy, with a projected return on cost in the range of 8-13% depending on project size and construction type.

Project returns are dependent on dozens if not hundreds of variables and cannot be attributed to any one factor, and in this analysis no assumption or input stood out as unusual or was notably divergent from trends across Boston's inner core. Arlington's rents are higher than those in Boston's less expensive inner suburbs such as Everett or Quincy, but not as high as those in the most expensive parts of the region such as in Boston or Brookline. The same is true for acquisition costs and to a lesser extent construction costs. Perhaps the most unique aspect of development in Arlington, according to conversations with developers, is how difficult the Special Permit process can be. However, this will not be a barrier in the new 3A district where multifamily housing will be allowed by-right.

Of the scenarios considered, returns were slightly above the threshold profitability metrics in two scenarios (one and three) and were solidly above the threshold in the remaining three scenarios, which included a small wood-frame project (scenario two) and two mid-sized podium projects (scenarios four and five). This indicates that under current market conditions Arlington's inclusionary policy is viable, though the Town should not consider expanding its requirements.

The first scenario, the smallest project size at which inclusionary zoning applies, projects a return on cost of 5.6%, just above the 5.5% profitability threshold set in this analysis, and a 15.0% IRR. This IRR is equal to the profitability threshold set in this analysis but does not mean that any incremental change in market conditions or fluctuation in development costs will immediately render a project of this size infeasible. Development is as much an art as a science, and a project does not immediately switch from feasible to infeasible the moment IRR drops below 15%. Rather, a developer will consider potential returns and weigh them against potential risks; if a project is promising but does not quite reach desired profit thresholds, they are more likely to adjust project characteristics (e.g. design slightly smaller units or choose different finish materials) than abandon a project altogether. Furthermore, according to developer interviews, projects of this scale are nearly always built by small outfits with local or family investors for whom it is common to accept an IRR below 15% or even below 14%. Finally, one of the biggest risk factors in

developing in Arlington—the Special Permit process—is no longer a barrier in the by-right 3A district, and with the lower risk developers may be willing to accept a lower return.

Arlington's inclusionary policy offers a modest cost offset in the form of a parking reduction from 1.0 to 0.9 required spaces per unit. Based on developer interviews and recent permitting data, this analysis assumes that developers will not take advantage of this cost offset and will build one space per unit to meet anticipated parking demand. However, as residents and developers become more comfortable with less off-street parking, developers may begin to take advantage of this reduction, which would result in an incremental increase in IRR (up to a 0.2% increase depending on parking construction type).

In conclusion, while Arlington's inclusionary policy is an ambitious one, this analysis finds that a range of project sizes and types are viable under the policy. Arlington can confidently apply its inclusionary policy in its 3A district with little risk of negatively impacting new development.

APPENDIX I: AFFORDABLE RENTS AND SALES PRICES

INCOME LIMITS

Each year, the U.S. Department of Housing and Urban Development sets a specific income amount that defines what it means to be low-income in a given region. For these purposes, Arlington is part of Boston-Cambridge-Quincy, MA-NH HUD Metro FMR Area, which covers an area that stretches from the South Shore to southern New Hampshire. In 2023, the income levels eligible for housing created through Arlington's inclusionary policy (60% of area median income and 70% of area median income) is highlighted below.

Income Limit Category	1 person	2 people	3 people	4 people
50% Area Median Income	$51,950	$59,400	$66,800	$74,200
60% Area Median Income	$62,340	$71,280	$80,160	$89,040
65% Area Median Income	$67,535	$77,220	$86,840	$96,460
70% Area Median Income	$72,730	$83,160	$93,520	$103,880
80% Area Median Income	$82,950	$94,800	$106,650	$118,450
100% Area Median Income	$103,900	$118,800	$133,600	$148,400
110% Area Median Income	$114,290	$130,680	$146,960	$163,240

AFFORDABLE RENTS

Housing is considered affordable if a household spends no more than 30% of its income on housing expenses. For renter households, this amount is equivalent to the affordable rental price if utilities are included in the rent.

Affordable Monthly Rent (Utilities included)	1 person/ Studio unit	2 people/ One-bdrm unit	3 people/ Two-bdrm unit	4 people/ Three-bdrm unit
60% Area Median Income	$1,559	$1,782	$2,004	$2,226

AFFORDABLE SALES PRICES

The method for determining the sales price of an affordable unit is outlined in the Massachusetts Chapter 40B Guidelines.

	1 person/ Studio unit	2 person/ One-bdrm unit	3 person/ Two-bdrm unit	4 person/ Three-bdrm unit
70% AMI annual household income	$72,730	$83,160	$93,520	$103,880
Monthly income available for housing	$1,818	$2,079	$2,338	$2,597
Real Estate Taxes*	$171	$196	$222	$246
Private Mortgage Insurance	$150	$175	$200	$225
Homeowners Insurance	$80	$90	$100	$110

Association/Condo Fee	$200	$220	$240	$260
Monthly Principal and Interest	$1,217	$1,398	$1,576	$1,756
Interest Rate**	6.9%	6.9%	6.9%	6.9%
Mortgage Amount	$184,044	$211,422	$238,401	$265,514
Down Payment	5%	5%	5%	5%
Deed-Restricted Sales Price	**$193,247**	**$221,993**	**$250,321**	**$278,789**

* Arlington's residential real estate tax rate in FY24 is $10.59.

** Per the Chapter 40B Guidelines, interest rate is one quarter percent above the prevailing fixed 30-year rate as listed on Freddie Mac's interest rate survey, accessed on January 25, 2024.

APPENDIX II: MARKET RENTS AND SALES PRICES

Rent and sales price inputs used in this analysis were informed by data from multiple industry sources, including Zillow, CoStar, the Warren Group, and MAPC's Rental Listings Database. However, these sources incorporate all units available in Arlington within a given time period, including units that are older, in poor condition, or lack amenities typical of modern development. Therefore, it is important to also consider recent development in Arlington that is likely more comparable to future development in its 3A district. For this, MAPC relied on conversations with developers as well as a review of available units in recently developed projects. Typically, rents in these new and renovated buildings are substantially higher than rents across the municipality as a whole. The examples below provide a window into the prices that a developer might expect in comparable projects.

Sample Rents for currently available units in recently constructed multifamily buildings in Arlington

Unit type	Size (sqft.)	Monthly Rent	Rent per sqft.
Studio	598	$2,550	$4.26
Studio	517	$2,650	$5.13
Studio	517	$2,800	$5.42
One-Bedroom	598	$2,875	$4.81
One-Bedroom	739	$2,875	$3.89
One-Bedroom	696	$3,000	$4.31
One-Bedroom	828	$3,016	$3.64
One-Bedroom	874	$3,075	$3.52
One-Bedroom	748	$3,167	$4.23
One-Bedroom	874	$3,175	$3.63
One-Bedroom	815	$3,202	$3.93
One-Bedroom	915	$3,295	$3.60
Two-Bedroom	1,217	$3,580	$2.94
Two-Bedroom	1,059	$3,590	$3.39
Two-Bedroom	1,224	$3,605	$2.95
Two-Bedroom	1,128	$3,630	$3.22
Two-Bedroom	1,013	$3,670	$3.62
Two-Bedroom	1,097	$3,835	$3.50
Two-Bedroom	1,201	$4,000	$3.33
Two-Bedroom	1,321	$4,800	$3.63
Two-Bedroom	1,470	$5,077	$3.45
Three-Bedroom	1,638	$4,852	$2.96
Three-Bedroom	1,321	$4,725	$3.58
Three-Bedroom	1,301	$4,850	$3.73
Three-Bedroom	1,312	$4,825	$3.68

Buildings in sample include: Bringham Square Apartments (www.brighamsquare.com), Arlington 360 (livearlington360.com), and The Artemis at Arlington Heights (https://www.zillow.com/apartments/arlington-ma/the-artemis-at-arlington-heights/CbSGG6/)

Arlington has had few multifamily ownership properties constructed in recent years. Most multifamily ownership units available in town are in older buildings, which are not typically representative of what would be built today: many of these units are smaller, less expensive, and do not include amenities considered essential in a new unit, such as in-unit laundry (these units are typically found in multifamily buildings constructed in the 1950s, 1960s, and 1970s). Conversely, units in historic single-family home conversions or larger buildings constructed before the mid-twentieth century may be much larger and more expensive than those in a modern multifamily building.

Thus in addition to the limited number of new ownership units recently sold in Arlington, this analysis also considers new projects within a half-mile of Arlington's borders. These should also not be taken as an absolute indicator of what a new property Arlington might cost because properties in adjacent Somerville and Cambridge may be closer to the Alewife or Davis Square MBTA stations and command a higher price. Nonetheless, the examples below are still valuable as a supplement to industry data and provide an important window into potential prices specific to new projects.

Sample sales prices for units sold within the past 12 months in recently constructed multifamily buildings in and near Arlington

Unit type	Size (sqft.)	Sales Price	Price per sqft.
One-Bedroom	791	$475,000	$601
One-Bedroom	777	$500,000	$644
One-Bedroom	818	$537,000	$656
One-Bedroom	818	$560,000	$685
One-Bedroom	1,022	$670,000	$656
One-Bedroom	1,022	$700,000	$685
Two-Bedroom	1,088	$600,000	$551
Two-Bedroom	1,110	$710,000	$640
Two-Bedroom	1,108	$725,000	$654
Two-Bedroom	1,056	$730,000	$691
Two-Bedroom	964	$750,000	$778
Two-Bedroom	852	$755,000	$886
Two-Bedroom	1,056	$760,000	$720
Two-Bedroom	848	$785,000	$926
Two-Bedroom	1,106	$875,000	$791
Two-Bedroom	1,274	$880,000	$691
Two-Bedroom	1,076	$930,000	$864
Two-Bedroom	1,220	$975,000	$799
Three-Bedroom	1,209	$825,000	$682
Three-Bedroom	1,055	$990,000	$938
Three-Bedroom	1,145	$1,060,000	$926
Three-Bedroom	1,200	$1,660,000	$1,383

Buildings in sample include: 1 Watermill Place, Arlington; 395 Alewife Brook Parkway, Somerville; 1252 Broadway, Somerville; 1060 Broadway, Somerville; 38 Madison Avenue, Cambridge.
Source: https://www.zillow.com/

APPENDIX III: EOHLC ASSUMPTIONS CHECKLIST

Revenue Sources	Input	Source
Rents by Bed Count (per SQFT)		
Studio/Efficiency	$5.30	Zillow, CoStar, MAPC Rental Listings Database, developer interviews, review of recent properties on market
One Bedroom	$4.07	
Two Bedroom	$3.48	
Three Bedroom	$3.45	
Sale Value (per SQFT)	$675-$840 depending on unit size	
Other Income		
Parking Revenue (per month per space)	$100	Developer interviews
On-Site Laundry (per month)	n/a	
Other (please list)	n/a	

Construction Costs	Input	Source
Land Acquisition (per unit)	$45,000-$70,000	Town assessor data
Land Development Costs (per unit)	Included in construction costs	
Soft Costs (percentage of hard costs)	20-22%	Developer interviews
Hard Costs (per SQFT)		
Residential	n/a	
Commercial Stick Built	$300	RS Means, developer interviews
Commercial Podium	$320	RS Means, developer interviews
Commercial Steel	n/a	
Parking Assumptions		
Parking Ratio	1.00	Zoning code, recent development
Parking Cost by Type		
Surface (per space)	$15,000	RS Means, developer interviews
Structured (per space)	$35,000	RS Means, developer interviews
Underground (per space)	n/a	

Operations & Expenses	Input	Source
Vacancy (percentage)	5%	Developer and lender interviews
Collection Loss (percentage)	n/a	
Operating Expense (% of EGI)	26-30%	Developer interviews

Financial	Input	Source
Lending Rate (Percentage)	6.5%	Developer and lender interviews
Lending Term (Years)	30	Developer and lender interviews
Debt Equity Ratio	65/35	Developer and lender interviews
Cap Rate	5.0%	CoStar, assessor data
Return Expectations		
Internal Rate of Return (IRR)	15.0%	Developer interviews
Return on Cost (ROC)	5.5%	Developer interviews
Cash on Cash (CoC)	n/a	

APPENDIX IV: FINANCIAL PRO FORMA

Please see excel spreadsheet included separately in the compliance application package.